

April 15, 1996

TO: J. W. Best  
P. J. Cundari  
R. M. Sanders  
D. L. Wilmesher

FROM: J. S. Farmer

RE: **Bundling Calculation**

Gentlemen,

Attached is an updated Bundling Calculation form for use in determining Forsyth Private Label true value to your retail/wholesale accounts. This should replace the form I sent to you in my letter dated March 21, 1996.

If you have any questions, please feel free to give me a call.

  
J. S. Farmer

JSF/kw

Attachment

cc: G. C. Pennell  
J. V. Maguire  
J. J. Ellegate  
D. P. Fitzgerald  
K. W. Noxon  
S. R. Qualkinbush

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## RJR Bundling Scenario - Chain Y (Direct - Multiple Branches)

### EXAMPLE #2

#### Input:

750 Stores  
 RJR CPW = 192 per  
 PL CPW = 64 per  
 RJR Merch. = \$ 449 mo.  
 PM Exclus. = \$ 607 mo.  
 Star PL = \$4.76 ctn.

#### Calculation:

PL List	\$8.79
Terms/EFT	.32
O/I	2.00
Alliance Accrual	.30
SOC PL	.50
Net PL	<u>\$5.67</u>

#### Assumption:

RJR \$158 mo. short on merch.  
 payments (\$1.4MM)  
  
 Forsyth \$.91 ctn. short on PL (\$2.3MM)

#### Bundling:

Wholesale Partners on PL Only	.16	on each ctn. of PL
Wholesale Partners PL to Overall	.08	weighted on PL (\$ .08 on half of ctns. for ≥ SOS)
Merch. Payments	.50	without PL would drop 2 grids or \$.50 weighted to PL
Merch. Accrual PL only	.25	would lose \$2,160,000 merch.
Merch. Accrual FP/BS	.61	accrual by going with Star only (\$324 to \$84mo.)
DORAL SOC	.24	if we have PL, acct. gets \$.50 ctn. on DORAL if SOS 75%+

#### Conclusion:

When bundling our PL and other  
 programs together our PL is worth  
 \$.93 per carton more than Star's.  
 $$.93 \times 2,496,000 = \$2.32\text{MM}$   
 RJR Bundled +\$2.32MM  
 PM -\$ 1.4MM  
 +\$ .92MM

**Dead Net w/Bundling \$3.83**

If total value of PL considered through  
 "bundling" chain is still +\$.92MM better  
 off with RJR.

- ☐ In addition, this account would receive no  
 merch. accrual, no gap or ceiling \$ if PM  
 exclusive = additional \$2.8MM lost from  
 RJR while only picking up \$1.7MM from  
 PM.

## RJR Bundling Scenario - Chain X (Indirect)

### Example #1

#### Input:

127 Stores  
RJR CPW = 44 per  
PL CPW = 20 per  
RJR Merch. = \$ 210 mo.  
Star PL \$4.76 + \$.43 = \$5.19

#### Calculation:

PL List \$8.79  
O/I \$2.00  
Alliance Accrual \$ .30  
SOC PL \$ .50  
\$5.99

#### Assumption:

Forsyth \$.80 ctn. short on PL (\$106M)

#### Bundling:

Merch. Payments \$ .58 Without, PL would drop 3 grids (\$50mo) or \$.58 weighted to PL

Merch. Accrual PL Only \$ .25 On all PL sales

Merch. Accrual FP/BS \$ .21 \$.15/ctn. on FP/BS ctns. or \$.21 weighted to PL (drop from \$50 to \$10)

DORAL SOC \$ .03 If we have PL, account gets \$.50/ctn. on DORAL if SOS 75%+

Dead Net w/Bundling \$4.92

#### Conclusion:

When bundling PL and other programs together, our PL is worth \$.27 per carton more than Star's.  
\$.27 x 132,080 PL cartons = +\$35,661 per yr

① PL SOC

Retail Contract: 35-49% = \$.25  
50-74% = \$.35  
+75% = \$.50

Wholesale Contract: \$.01 per share point. Max 50% = \$.50

② DORAL SOC (Retail Accounts Only)

Retail Contract: 50-74% = \$.35  
+75% = \$.50

Wholesale Contract: Does not apply

If retail contracted call has an overall RJR Share of Savings % of 50% or higher, calculate payout per carton x DORAL cartons sold = total DORAL SOC payout. Divide total payout by PL carton sold to input DORAL SOC \$ amount value to PL pricing

③ Merch. Accrual on FP/BS (Retail Accounts Only)

Based on \$.15 per carton difference between Level III (advantaged) -vs- Level I (disadvantaged). Using accrual grids, determine difference between Level III in higher grid -vs- Level I in lower volume grid, subtract value of PL (at \$.25/ctn.) from Level III to get net difference. Divide difference by PL volume to determine FP/BS Merch. Accrual per carton \$ amount value per PL carton sold.

④ PL Carton Value to RDA's (Retail Only)

Determine grid change difference between payment with PL - vs- payment without. Divide difference by PL carton sales to obtain RDA per carton value attributable to PL.

⑤ If wholesale account received \$.08 per carton payout on FP/BS due to making SOS goal and caused by PL performance, multiply \$.08 x total FP/BS cartons sold then divide by PL carton sales to determine per carton \$ value associated with PL sales.

### Bundling Calculation Form

Account: \_\_\_\_\_

Competitive Brand: \_\_\_\_\_ Competitive Dead Net: \$ \_\_\_\_\_

List \$9.19

Terms \$ .30

EFT \$ .04

Off-Invoice \$2.00

PL Alliance Accrual \$ .30

PL Share of Category ① \_\_\_\_\_

Net Price \$ \_\_\_\_\_

#### Bundling Options

DORAL Share of Category ②

Merch. Accrual on PL \$ .25

Merch. Accrual on FP/BS ③

PL Carton Value to RDA's ④

PL Wholesale Partners Rate

Wholesale Partners Rate on  
FP/BS Because of PL ⑤ \_\_\_\_\_

Dead Net w/Bundling \$ \_\_\_\_\_

Compet. Dead Net: \$ \_\_\_\_\_  
Shortage: \$ \_\_\_\_\_

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